



MEMORANDUM
JANUARY 9, 2004

TO: BOARD OF DIRECTORS

FROM: DAVID MERRITT

RE: WATER PROJECTS ENTERPRISE - WOLFORD MOUNTAIN RESERVOIR
OPERATIONS

WOLFORD MOUNTAIN OPERATIONS-YEAR 2003

HYDROLOGIC CONDITIONS

This is shaping to be at least a fair year, with basin wide snowpack near average, giving hope of significant recovery in storage at the Reservoir. Wolford Mountain Reservoir is currently at elevation 7469 MSL, 20 feet below full pool and 27 feet above where we were this time last year. We have approximately 40,000 acre feet in storage, and are balancing inflow and outflow at 15 cfs. This flow rate will remain constant until April 1st, unless the Cameo Call comes on earlier. Wolford Mountain Reservoir was very lightly exercised this year, with releases only made for water marketing contract releases and mitigation area releases. We will be going into the coming runoff season only slightly below where we finished last years fill season.

The snowpack conditions are looking better this year. The January 1st runoff forecast is for 100% of average, or 60,000 acre-feet in the April through July time period. That could translate to over 40,000 acre feet of storable inflow, depending upon the mainstem call scenarios and when the runoff actually came. Last years runoff was 38,200 acre feet, or 64% of average and we managed to store about 29,000 acre feet.

Our demands this summer were minimal; evaporation, wetlands mitigation releases, and a small amount for contracts above Shoshone. Due to the continuing low storage in Wolford (compared to Green Mountain, Ruedi and Williams Fork Reservoirs) the Recovery Program chose not to utilize any of their pool, waiting instead for it to possibly fill in 2004. Additionally, we did not release the 5,412 AF water, due to the drought provision.

We don't anticipate a Substitution year this year, but it is still early. The Blue River Basin is at about 80% of average, but is still early. Dillon Reservoir is at 223,000 acre feet and Green Mountain Reservoir is at 71,000 acre feet. However, Public Service Company plans to take the Shoshone Power Plant

completely “off-line” from early February into early May for major servicing. This will remove the replacement requirement of the Colorado-Big Thompson Project and Denver’s Moffat and Roberts Tunnels systems, reducing the demand on both Green Mountain and Williams Fork Reservoirs. We do not expect to see a change in the demand on Wolford Mountain Reservoir over that time frame.

The Colorado Springs Substitution will not require any releases from Wolford this year, but will result in the booking of up to 250 acre feet in the pool being established for this account, as well as the purchase of an additional 250 acre feet for the account. We are still attempting to finalize the arrangements for use of the CSU water among all the parties, Summit County, Town of Breckenridge and Vail Resorts. Until Colorado Springs has completed adjudicating the Substitution Agreement, contracts will be interim. Colorado Springs filed their application at the end of December 2003.

RECREATION AREA MANAGEMENT

Red Mountain RV Park have completed their second season of operating the campground, recreation area, and boat rental facility. The Miller’s and their host camper staff have taken a great deal of pride in operating the area in a friendly manner. The campground was full most weekends from Independence Day to Labour Day, with weekdays running usually around ½ to 1/3 full.

WATER MARKETING

We currently have 70 contracts for Colorado River water supplies either executed or moving through the process, totaling over 3838 acre feet. Over 1800 acre feet of these contracts could be served from our Ruedi Reservoir water supplies, and in fact were served this past year. The River District had designated 10,000 acre feet from the West Slope’s 36,000 acre foot pool as available for water marketing on a long term basis. Our Colorado Springs Substitution agreement has resulted in setting aside a pool of 1,750 acre feet for this purpose, and has thus reduced the marketable yield by 1,250 acre feet (five acre feet of Wolford dry year yield for each one acre foot of Upper Blue Reservoir every year yield). Our “short term” commitment of 5,412.5 acre feet to the Recovery Program is provided from this water marketing pool. However, the drought provisions in our contract with the US Fish and Wildlife Service allow us to “short” that delivery when the reservoir is below 56,000 acre feet on June 1st and the May 1st forecast is for less than 28,000. This situation unfortunately occurred again this past year, and there was no water released for this demand. However, we hope to be beyond that trigger this coming year.

We anticipate that the demand for Wolford Mountain Reservoir water will remain strong, especially in light of the continuing uncertainty over Green Mountain Contracts. We have finalized our third contract for Ruedi Round II water, which brings our total Ruedi water supplies to 1,730 acre feet. The USBR has completed the EA for the Interim Round II 10,825 contract, releasing another 10,635 acre feet for contract from Ruedi and we have initiated a Water Repayment Contract with USBR for 5,000 acre feet.. Within our Colorado River Supply program, we have more than fully marketed our current contract amount from Ruedi, if we were to supply all uses below Glenwood Springs solely from Ruedi Reservoir.